

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**MANAGEMENT OF DISTINGUISHED VISITORS'
QUARTERS AT FORT MYER, VIRGINIA**

Report No. 93-114

June 18, 1993

Department of Defense

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202

June 18, 1993

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Management of Distinguished
Visitors' Quarters at Fort Myer, Virginia
(Report No. 93-114)

This final report is for your information and use. We performed the audit at the request of Senator William V. Roth, Jr., and Senator Sam Nunn who asked that we examine allegations relating to renovation costs of General and Flag Officers' Quarters and Distinguished Visitors' Quarters. This is our third and final report in our review of General and Flag Officers' Quarters and Distinguished Visitors' Quarters. Management comments were considered in preparing the final report. Finalizing the report was deferred to allow completion of an Inspector General, Department of the Army, investigation and subsequent analysis of its conclusions.

As required by DoD Directive 7650.3, all audit recommendations must be resolved promptly. Therefore, we request that the Army provide comments on Recommendations A.1., A.2., C.1., C.2., and F. by August 18, 1993.

We appreciate the courtesies and cooperation extended to the audit staff. If you have any questions on this audit, please contact Mr. Wayne K. Million at (703) 692-2991 (DSN 222-2991) or Ms. Carolyn Milbourne at (703) 692-3109 (DSN 222-3109). Appendix H lists the distribution of this report.

A handwritten signature in cursive script, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 93-114
(Project No. 1CG-5007)

June 18, 1993

MANAGEMENT OF
DISTINGUISHED VISITORS' QUARTERS AT FORT MYER, VIRGINIA

EXECUTIVE SUMMARY

Introduction. This audit is the result of congressional requests from Senator William V. Roth, Jr., and Senator Sam Nunn who asked us to examine allegations relating to renovation costs of General and Flag Officers' Quarters and Distinguished Visitors' Quarters (DVQs). Two prior audit reports addressed other allegations concerning General and Flag Officers' Quarters and DVQs.

DVQs are lodging used to accommodate unaccompanied officers in the grade of colonel (O-6) and above while on temporary duty. Appropriated funds are used for construction, maintenance, repair, and operations for DVQs. When appropriated funds are not authorized or available, nonappropriated funds may be used. During FYs 1989 through 1991, Army Military District of Washington (MDW) and Army Engineer Activity, Capital Area (EACA), officials expended \$917,715 on the renovation of DVQs (Wainwright Hall) at Fort Myer, Virginia.

Enlisted aides were assigned to provide support to general officers and members of their families residing at the Fort Myer DVQs. Applicable laws and regulations prohibit use of enlisted aides for personal and unofficial duties but do not prohibit detail or temporary assignment of enlisted aides.

Objectives. The audit objectives were to determine whether resources applied to operate, maintain, improve, and support DVQs were necessary and reasonable and whether proper contracting policies and procedures were followed. We also examined applicable internal controls.

Audit Results. Alterations to Wainwright Hall were not properly planned or managed. As a result, \$628,593 of operations and maintenance funds and \$33,020 of nonappropriated funds were incorrectly used instead of military construction funds and statutory funding violations may have occurred (Finding A). EACA issued contract specifications for bathroom fixtures that were overly restrictive, issued a modification to the contract that was outside the scope of the statement of work, and did not obtain a waiver from a required source to purchase furnishings from other sources. As a result, the Government incurred estimated additional costs of \$20,467 for fixtures and \$13,538 for wallpapering (Finding B). A civilian committee improperly

exercised authority and made decisions on the alteration project. As a result, Government contracting procedures were circumvented and competition was unnecessarily restricted (Finding C). MDW personnel did not adequately plan the procurement of \$89,645 of furniture for Wainwright Hall and used inappropriate procedures to expedite the procurements. As a result, supplier competition was limited and costs were increased by an estimated \$35,000 to buy furniture for quarters that already had acceptable furniture in place (Finding D). Nonappropriated funds of \$92,864 were incorrectly used to purchase carpet and furnishings at Wainwright Hall when appropriated funds were available (Finding E). Enlisted aides assigned to the DVQs at Wainwright Hall were improperly required to perform personal services for general officers and their families and to perform duties in a nonappropriated fund facility (Finding F).

Internal Controls. The audit identified material internal control weaknesses in the planning, programming, funding, and contracting for the alterations of Wainwright Hall and in management of a civilian committee. See Part I for details of our review of internal controls and Part II for details of the weaknesses.

Potential Benefits of Audit. The report recommendations should produce potential monetary benefits through effective management of future alteration projects and through proper training. However, we could not quantify the benefits associated with this report (summarized in Appendix F). Other benefits include compliance with regulatory requirements, the proper use of funds, and more efficient use of resources.

Summary of Recommendations. We recommended that Army make appropriate accounting adjustments and investigate possible funding violations related to the Wainwright Hall alteration project. We also recommended establishing guidance for the use of civilian committees, initiating disciplinary action for improper use of priority designator codes, providing training to contracting personnel, and amending the Fort Myer Officers' Club financial statements.

Management Comments. The Director of Management, Office of the Chief of Staff, Department of the Army, disagreed on the presentation of the issues in the draft report. The Army Vice Chief of Staff requested the Inspector General, Department of the Army, to investigate specific issues related to the operation of the civilian committee. As a result of the Army comments and the investigation, the report was revised. A discussion of the responsiveness of management comments is in Part II and the text of management comments is in Part IV of this report. We request that the Army provide additional comments by August 18, 1993.

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This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

PART I - INTRODUCTION

Background

Wainwright Hall, the Distinguished Visitors' Quarters (DVQs) at Fort Myer, Virginia, provides lodging for unaccompanied temporary duty officers with the equivalent rank of colonel (O-6) and above. Funding for minor construction projects costing less than \$200,000 for DVQs is taken from operations and maintenance, Army (OMA), funds. Funding for minor construction projects costing over \$500,000 requires the Secretary of the Army approval and congressional notification. Funding for major construction projects must be requested and approved through the military construction budget process. Nonappropriated funds may be used to supplement appropriated funds for DVQs when justification shows that appropriated funds are not available. Enlisted aides are allowed to be assigned to provide appropriate support to general officers and members of their families residing at the DVQs.

Objectives

The audit was made in response to requests from Senator William V. Roth, Jr., and Senator Sam Nunn. Senator Roth asked that we examine costs of renovating Quarters 7 on Fort Myer. Senator Nunn asked that we examine allegations involving renovation costs of General and Flag Officers' Quarters (GFOQs) and DVQs at Bolling Air Force Base (AFB), Washington, D.C. Both Senators also asked that we examine the potential for these allegations occurring at a sample of Army, Navy, and Air Force installations within the National Capital Region. IG, DoD, Report No. 93-020, "Congressional Request for Audit of Quarters 7 at Fort Myer and Other General and Flag Officers' Quarters," November 6, 1992, and IG, DoD, Report No. 93-035, "Congressional Request for Audit of General and Flag Officers' Quarters and Distinguished Visitors' Quarters at Bolling Air Force Base," December 17, 1992, address the Senators' concerns. See Prior Audits and Other Reviews for details on the two reports.

At Wainwright Hall, the audit examined whether the resources applied to operate, maintain, improve, and support DVQs were necessary and reasonable, and whether proper contracting policies and procedures were followed. We also examined applicable internal controls.

Scope

During FYs 1989 through 1991, officials at the Army Military District of Washington (MDW) and the Army Engineer Activity, Capital Area (EACA), expended \$824,851 of OMA and \$92,864 of

nonappropriated funds to renovate Wainwright Hall. We reviewed the management of Wainwright Hall, which included planning and funding of facility alterations, and administration of the alteration contracts.

We also reviewed documents covering the period FY 1989 through FY 1991. In addition, we examined 31 contracts for the appropriated fund purchases of furnishings that totaled \$149,700 and 24 contracts for nonappropriated fund purchases of furnishings that totaled \$59,844. We also examined contracts for alterations of bathrooms and replacement of carpets at Wainwright Hall, which were funded at \$360,608 and \$33,020, respectively. In addition, we reviewed work orders and Military Interdepartmental Purchase Requests totaling \$267,985 for wallpapering, painting, and miscellaneous alterations. We reviewed the use of enlisted aides at the DVQs. Further, we interviewed 51 officials from Fort Myer, Fort Belvoir, Fort McNair, and Cameron Station responsible for various functions related to Wainwright Hall alterations.

This economy and efficiency audit was made from January 1991 through January 1993 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the IG, DoD. Accordingly, the audit included those tests of internal controls that were considered necessary. We did not rely on computer-generated data in the performance of our audit. Appendix G lists activities visited or contacted during the audit. We delayed issuing this final report until the IG, Department of the Army, completed an investigation. The Army investigation was conducted between June and December 1992.

Internal Controls

The audit found material internal control weaknesses in the planning, programming, funding, and contracting for the alterations of Wainwright Hall and in management of a civilian committee as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. The internal control weaknesses occurred because management did not establish appropriate procedures or follow existing procedures in funding alterations to Wainwright Hall, in managing a civilian committee, and in expediting furniture purchases. Actions already taken and Recommendations A.2. and C.1., if implemented, will correct the internal control weaknesses and could prevent future potential monetary losses. No monetary benefits are identified in this report; however, implementing the recommendations can result in future monetary benefits. A copy of this report will be provided to the senior official responsible for internal controls within the Department of the Army.

Prior Audits and Other Reviews

Four prior audit and investigation reports have been issued since 1990 that address the management of DVQs and GFOQs.

General Accounting Office Report No. NSIAD 90-241 (OSD Case No. 8285-A), "Army Housing Overcharges and Inefficient Use of On-Base Lodging Divert Training Funds," September 1990. The report stated that revenue charges from transient quarters were used to provide expensive amenities for DVQs. The report recommended that the Secretary of the Army provide specific guidance to commanders on the types and quality of furnishings appropriate for transient quarters. The Secretary of the Army agreed with the recommendations and issued guidance to implement the recommendations.

IG, DoD, Report No. 93-020 stated that no problems were identified with the renovation costs of Quarters 7 at Fort Myer or 11 similar quarters within the National Capital Region. Improvements to the GFOQs were properly planned and approved by appropriate Government personnel. The report did not contain recommendations.

IG, DoD, Report No. 93-035 stated that 2 of 13 allegations concerning Bolling AFB were substantiated. Appropriated funds were inappropriately used to maintain grounds for GFOQs. Similar problems were identified at the Navy quarters at the Washington Navy Yard. The Navy and the Air Force concurred with the recommendations and issued guidance that requires occupants of GFOQs to maintain the grounds surrounding their quarters. At both Bolling AFB and the Washington Navy Yard, internal controls over the use of Government resources were inadequate. Also, Air Force personnel inappropriately used Government credit cards at Bolling AFB. The Navy and Air Force concurred with recommendations to account for and safeguard furnishings in GFOQs. The Air Force issued guidance on the use of Government credit cards.

IG, Department of the Army (Investigations Division), Report No. 19-92, "Allegation Against Major General [Name Deleted], Commanding General, U. S. Army Military District of Washington (MDW)," December 10, 1992. The investigation examined allegations that a major general improperly expedited the renovation of Wainwright Hall and did not properly manage a civilian committee that exercised inappropriate influence and made inappropriate decisions relating to the renovation of Wainwright Hall. The report states the allegations were unsubstantiated. Additional details of the report are discussed in Finding C.

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PART II - FINDINGS AND RECOMMENDATIONS

A. ALTERATIONS TO WAINWRIGHT HALL

MDW financed \$661,613 of major alterations to Wainwright Hall to improve Wainwright Hall's current operations and improperly funded the alterations with \$628,593 of OMA appropriation funds and \$33,020 of nonappropriated funds. The improper funding occurred because MDW did not recognize that different maintenance and repair and improvement projects had, in total, grown into a major alteration to Wainwright Hall that would require military construction funding. A lack of facility surveys of Wainwright Hall precluded advance identification of the total scope of alteration work required for the facility. Consequently, the work was not scheduled in the annual and long-range work plans. As a result, proper approval was not obtained and potential statutory funding violations may have occurred that require investigation under Army Regulation 37-1, "Army Accounting and Fund Control," October 1, 1989.

DISCUSSION OF DETAILS

Background

Wainwright Hall was built in 1905 as bachelor officers' quarters. Since the early 1950s, Wainwright Hall has functioned as the MDW transient facility for general and flag officers and civilians of equivalent rank. The Director of Management, Office of the Chief of Staff, Department of the Army, informed us that Wainwright Hall was last completely renovated in 1955. The facility has 18 suites, each consisting of a bedroom, a bathroom, and a living room.

Renovation Actions

In August 1988, the Army decided to convert two suites (F and G) into "counterpart suites" to be used by four-star generals and foreign dignitaries. In January 1989, MDW initiated a project to repair the bathrooms in all 18 suites and to include a kitchenette in the two counterpart suites. In April 1989, MDW initiated action to replace all carpeting in the suites, halls, foyers, and stairs. In July 1990, MDW officials decided to completely renovate the remaining 16 suites, to be consistent with the bathrooms and new carpeting.

The overall Wainwright Hall project costs were \$917,715 and were paid for with \$824,851 OMA funds and \$92,864 nonappropriated funds. The project consisted of bathroom design costs of \$46,558, furnishing costs of \$209,544, and alteration costs of \$661,613. The alterations were not supported by maintenance and repair surveys, were improperly classified as repairs, and were incorrectly funded with \$628,593 of OMA funds and \$33,020 of

nonappropriated funds. Appendix D provides a comparison of how MDW funded the alterations with the type of funds that should have been used. The design costs were properly funded with OMA funds. The carpet and furnishing purchases of \$92,864 were incorrectly funded with nonappropriated funds. The use of nonappropriated funds is discussed in Finding E.

Maintenance and repair surveys. Army Regulation 210-50, "Installations - Housing Management," April 24, 1990, requires that a major Army command conduct surveys of facilities to identify needed maintenance, repairs, and improvements. Annual work schedules and long-range work plans for the facilities are developed to correct any deficiencies found during the surveys. The regulation defines repair as the restoration of a real property facility to such a condition that it may be effectively used for its designated functional purpose. Repair implies that the facility, or its systems, have failed or are in a failing condition. Backlog of maintenance and repair is the unfunded part of the annual work plan and includes all maintenance and repair requirements. The Army requires its installations to maintain a list of all backlogged maintenance and repair projects, maintain documentation to support the project as being essential, validate the scope of work, derive the best economical solution, and maintain a current cost estimate.

MDW had no record to support that surveys were performed on Wainwright Hall to determine whether the facility was in a failed or failing condition. None of the repair projects we reviewed were identified in annual or long-range maintenance and repair work plans for the facility. MDW did not maintain a list of backlogged maintenance and repair projects for Wainwright Hall.

Alteration. Army Regulation 210-50 defines alteration as the work required to adjust arrangements or other physical features of an existing facility so that the facility may be more effectively adapted to or used for its presently designated purpose. Army Regulation 415-35, "Minor Construction, Emergency Construction, and Replacement of Facilities Damaged or Destroyed," defines construction as the alteration of an existing facility. Alteration is defined as a change to an interior or exterior facility to improve the facility's ability to satisfy its current purpose.

The extensive work performed at Wainwright Hall constitutes a major alteration to the facility, enabling the DVQs to be more effectively used for the presently designated purpose. As an example, the bathroom work was intended to rehabilitate, upgrade, and harmonize with the renovated suites. The work involved gutting the bathrooms, putting in new drywall, and replacing all the internal bathroom fixtures. The new fixtures included ceramic tile flooring, ceramic tile walls, new lighting, wallpaper, and water closets. Documentation for the project did

not indicate that the bathrooms were in a failed or failing condition and in need of extensive repairs. As a result, we concluded that the work was, in fact, a major alteration and not a maintenance and repair project.

Funding Procedures

Approval threshold. Army Regulation 415-35 establishes approval authority for real property facility projects. Minor construction projects with a funded cost of \$200,000 or less may be approved by the major Army command commander. Minor construction projects with funded costs in excess of \$200,000 must be approved by the Assistant Chief of Engineers, Department of the Army. Minor construction projects with a funded cost in excess of \$500,000 must be approved by the Secretary of the Army.

Army Regulation 415-35 prohibitions. Army Regulation 415-35 specifically prohibits subdividing projects to reduce costs below the mandatory approval threshold or the minor construction ceiling of \$200,000, which requires congressional notification. The Regulation also prohibits separating each project as a complete and usable entity when it is an integral part of the total project to be completed. Although each part of the Wainwright Hall alteration was an independent and usable project within itself, the total facility alteration was not complete until all projects were finished. In a June 4, 1992, memorandum to the Office of the Inspector General, DoD, the Director of Management, Office of the Chief of Staff, Department of the Army, stated that:

The original scope of work was to repair the 18 bathrooms This work order was initiated and approved in January 1989, design was accomplished, and the work was contracted for in September 1989 and executed in three phases due to funding constraints.

Although MDW subdivided the project to meet funding constraints, it did not appear that MDW intentionally split the costs to avoid the approval thresholds. Because maintenance and repair surveys were not performed, MDW did not have a clear overall renovation concept or plan for the Wainwright Hall project. In 1988, suites F and G were to be upgraded into counterpart suites with kitchenettes and dressing areas. In 1989, the bathrooms in the DVQs were identified for upgrade. The total cost for these alterations was \$360,608. As the new bathroom design was being prepared, the requirement for new wallpaper and painting costing \$90,554 was identified for the suites, hallways and foyers. Also in 1989, as work progressed on the bathroom and wallpapering, a requirement for new carpeting throughout the facility costing \$33,020, was developed. During the period 1989 through 1991, miscellaneous alterations totaling \$177,431 were also processed. If the project had been properly planned from the beginning and

all requirements had been combined into a single undertaking for the same facility, the alteration costs would have totaled \$661,613 and would have required the Secretary of the Army approval. MDW should have identified at some point during the overall process of altering Wainwright Hall that what had started as improvements or repair projects to limited portions of Wainwright Hall had grown into a major alteration (construction) project.

Type of funds. The proper use of funds, whether OMA or military construction, depends upon the classification of work as maintenance and repair or minor construction. For minor construction work, military construction funds must be used if the cost of the project exceeds \$200,000. Congressional notification is also required. As a combined single project, the Wainwright Hall alteration should have used FY 1989 military construction funds. MDW's use of \$628,593 of OMA funds and \$33,020 of nonappropriated funds for the Wainwright Hall alterations violated title 31, United States Code (U.S.C.), section 1301(a), which states that an appropriation shall be applied only to the objects for which the appropriations were made. Accounting adjustments to correct the violation could result in an apparent funding violation reportable under Army Regulation 37-1, "Army Accounting and Fund Control," October 1, 1989. The Regulation states that a violation occurs when:

- o obligations are authorized in advance of appropriations or without adequate funding authority to cover an obligation, or

- o a statutory limitation is exceeded by more than the stated reprogramming amount.

Army Regulation 37-1 provides detailed procedures for investigating and reporting alleged funding violations.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Assistant Secretary of the Army (Financial Management), in accordance with Army Regulation 37-1, "Army Accounting and Fund Control," October 1, 1989:

1. Make the appropriate accounting adjustments to deobligate \$144,870 of FY 1989, \$286,120 of FY 1990, and \$197,603 of FY 1991 operation and maintenance, Army, funds; obligate \$661,613 of FY 1989 military construction, Army, funds; and reimburse FY 1991 nonappropriated funds \$33,020 (Appendix D).

2. Follow procedures to report any antideficiency violations, and initiate disciplinary action against the

responsible officials if actions taken to implement Recommendation A.1. should cause an over-obligation in the appropriation accounts.

Army comments. The Director of Management, Office of the Chief of Staff, Department of the Army, disagreed with the draft finding and recommendations. The Director believed the work accomplished at Wainwright Hall was properly classified as repair work and properly funded with OMA funds. The Director also cited a May 18, 1992, Army Audit Agency memorandum that stated that the Army does not have specific, clear-cut guidance on the classification of maintenance and repair work versus minor construction work. The Army Audit Agency's memorandum further stated that the lack of guidance confuses the funding issue. The Director stated that if the audit staff had interviewed key participants, some of the issues involving the definition of repair would have been resolved. The Director also stated that the resolution of the issue depends on the interpretation applied to the replacement of the 30-year-old bathroom fixtures, which the Director stated were deteriorating. The Director further stated that congressional oversight was not intentionally circumvented and that military construction funds could have been obtained if needed.

Audit response. If MDW had properly planned and executed the Wainwright Hall alterations, MDW would have identified that the project would require approval by the Secretary of the Army and would require appropriation of military construction funds. The audit staff discussed the finding with all appropriate installation personnel during the audit, including those mentioned in the Director's memorandum that were still employed at MDW at the time of the audit. MDW did not document the deteriorating conditions of the 30-year-old fixtures at Wainwright Hall. The installation personnel we interviewed disagreed considerably among themselves as to the extent of deterioration of the fixtures, if any. However, the major issue is the extent of work performed on the facility. While the Army may not have specific clear-cut guidance on maintenance and repair versus minor construction work, the Army does have clear guidance on the proper management of facilities. Adequate surveys and proper planning as described in Army Regulation 210-50 would have identified all work required on the facility from the beginning. The work would have been classified as construction, because the existing facility was being altered so that the facility could be more effectively used for its designated purpose. We do not believe that MDW intentionally circumvented the congressional notification. However, because the total cost of the project exceeded the \$500,000 limit, Secretary of the

Army approval should have been obtained and military construction funds should have been used. Accordingly, we request that the Army reconsider its position and provide comments on the final report recommendations.

B. CONTRACT SPECIFICATIONS

EACA issued specifications that were highly restrictive for bathroom fixtures totaling \$26,542, issued a modification to the contract totaling \$54,152 that was outside the scope of the statement of work, and purchased furniture totaling \$121,186 from sources other than the Federal Prison Industries, Incorporated (FPI), without obtaining a waiver. The inappropriate contracting actions occurred because EACA officials responsible for the Wainwright Hall project planning and acquisition functions were not adequately trained. As a result, by using competitive procedures, the Government could have reduced costs by \$20,467 on fixtures and \$13,538 on wallpapering. By purchasing furniture through FPI, the Army may have realized additional cost reductions.

DISCUSSION OF DETAILS

Background

The Competition in Contracting Act and the Federal Acquisition Regulation, part 10, require an agency to specify its needs in a manner that will promote competition. Generally, the minimum acceptable description of a requirement is a brand name followed by the words "or equal." This technique should be used only when an adequate specification is not available.

Specifications for Fixtures

Contract specifications for the Wainwright Hall bathroom fixtures restricted the sources of supply and resulted in less than full and open competition. The specifications stipulated name brands, whereas use of a Federal specification standard for the bathroom fixtures is the preferred method. The specifications stated:

Plumbing fixture numbers listed are Kohler Corporation and are specified to establish a standard of quality and appearance. Equal products manufactured by American Standard or Eljer may be submitted for review and approval.

Reduced costs. The Government could have reduced contract costs of \$26,542 by at least \$20,467 had the contract specifications been written less restrictively. For example, the brass towel bars used in Wainwright Hall cost \$102.79 each. Brass towel bars could have been purchased from the General Services Administration (GSA) Federal Supply Schedule for \$9.26 each, saving \$93.53 each. Pictures 1, 2, and 3 in Appendix A show the fixtures purchased.

Table 1 compares the price paid for bathroom fixtures and the price of similar items in the GSA Federal Supply Schedule.

Table 1. Contract Price Versus GSA Federal Supply Schedule Price for Similar Brass Fixtures/Trim

<u>Bathroom Fixtures</u>	<u>Contract Price Paid</u>	<u>GSA Federal Supply Schedule</u>	<u>Difference</u>
Cabinet	\$ 349.00	\$ 155.63	\$ 193.37
Faucets	352.64	100.67	251.97
Glass Shelf	204.00	17.99	186.01
Light Fixtures	230.25	40.60	189.65
Towel Bar	102.79	9.26	93.53
Tumbler Holder	99.38	5.06	94.32
Soap Dish	93.34	5.06	88.28
Robe Hook	<u>43.15</u>	<u>3.23</u>	<u>39.92</u>
Total per bathroom	<u>\$ 1,474.55</u>	<u>\$ 337.50</u>	<u>\$ 1,137.05</u>
Total for 18 bathrooms	<u>\$26,541.90</u>	<u>\$6,075.00</u>	<u>\$20,466.90</u>

Upgraded brass fixtures. MDW Engineering and Housing personnel authorized upgraded fixtures for use in the bathrooms at Wainwright Hall. The quality and type of the new fixtures greatly exceeded the existing bathroom fixtures (Appendix B). EACA questioned the high cost of the brass plumbing fixtures during the design review and stated that less costly fixtures would be more suitable. The project manager and the civilian decorating committee (Finding C) changed the fixture specifications but decided to keep the same high-quality brass fixtures. If similar chrome fixtures had been used instead of the upgraded, high-quality, brass fixtures, a cost reduction of \$22,618 could have been realized for the 18 bathrooms.

Table 2 compares the prices paid for brass fixtures to the price of replacement chrome fixtures in the GSA Federal Supply Schedule.

Table 2. Contract Price for Brass Versus GSA Federal Supply Schedule Price for Chrome Fixtures/Trim

<u>Bathroom Fixtures</u>	<u>Contract Price Paid for Brass</u>	<u>GSA Price for Chrome</u>	<u>Savings</u>
Cabinet	\$ 349.00	\$ 125.00	\$ 224.00
Faucets	352.64	29.98	322.66
Glass Shelf	204.00	17.99	186.01
Light Fixtures	230.25	32.00	198.25
Towel Bar	102.79	2.85	99.94
Tumbler Holder	99.38	3.55	95.83
Soap Dish	93.34	3.55	89.79
Robe Hook	<u>43.15</u>	<u>3.05</u>	<u>40.10</u>
Total per bathroom	<u>\$ 1,474.55</u>	<u>\$ 217.97</u>	<u>\$ 1,256.58</u>
Total for 18 bathrooms	<u>\$26,541.90</u>	<u>\$3,923.46</u>	<u>\$22,618.44</u>

Navy and Air Force DVQs. In a June 4, 1992, memorandum to the Office of the Inspector General, DoD, the Director of Management, Office of the Chief of Staff, Department of the Army, stated:

We believe the determination of the appropriate level of furnishings should be based, in part, upon the unique nature of this facility, which is designed to house senior general officers, their foreign military counterparts, foreign dignitaries, and similar officers. Recent guests have included the Belgian counterpart to the Chairman of the Joint Chiefs of Staff, and the Saudi Arabian counterpart to the Chief of Staff of the Army.

The Army requested that we compare Wainwright Hall to other similar quarters and consider the level of personnel housed at Wainwright Hall. We reviewed the DVQs at the Washington Navy Yard and Bolling AFB, and determined that the accommodations used chrome fixtures for all but two Air Force suites and that the accommodations are roughly equivalent to the Wainwright Hall suites before alteration. During 1990 and 1991, the Navy quarters accommodated similar distinguished dignitaries from Argentina, Canada, Chili, Ecuador, Greece, India, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Russia, Sweden, and Turkey. While the upgrade to a higher quality of fixtures and furnishings may have been desired, the "unique nature" of the quarters neither justified nor required such upgrades.

At Bolling AFB, the Maryland and the Virginia Houses are comparable to Suites F and G at Fort Myer. The Bolling

accommodations were also roughly equivalent to Wainwright Hall after the alterations were complete, including brass fixtures. While we might agree with the Army that quality fixtures were desirable in the DVQs, we cannot agree with the overly restrictive contract specifications. The restrictive specifications did not allow vendors to provide any fixtures other than the name brands listed in the specifications.

Out-of-Scope Modification

Federal Acquisition Regulation 52.243-4 "Changes," provides the contracting officer authority to make changes that are considered to be within the scope of the contract. The bathroom renovation contract, initially valued at \$324,800, was modified to include wallpapering the bedrooms, foyers, and hallways at a cost of \$54,152. The modification was justified based on the assumption that the modification did not increase the scope of the bathroom contract. In a June 4, 1992, memorandum to the Office of the Inspector General, DoD, the Director of Management, Office of the Chief of Staff, Department of the Army, stated¹:

the non-bathroom areas of the 16 suites needed renovation and a new workorder . . . was initiated to do the work. Since the bathroom repairs had already been awarded and the new requirements were distinctly different and in and of themselves represented a complete and usable endeavor, this work was also done as a separate project [emphasis added] and approved as such on 23 Jan 91 to paint and wallpaper.

The contract modification was outside the scope of the original contract because the wallpaper was a new requirement and was distinctly different from the bathroom work. Additionally, the bathroom contractor was not staffed to perform wallpapering and had to subcontract the wallpapering. If this work was competed and acquired directly from a wallpapering vendor, costs could have been reduced.

Various studies identified in the Competition in Contracting Act of 1984 have shown the competition can result in a 15 to 50 percent cost reduction. The Defense Federal Acquisition Regulation Supplement, Appendix E, forecasts a 25-percent reduction when purchasing spare parts competitively. IG, DoD, Report No. 93-041, "Computed Tomography Scanner Maintenance Service Contracts," January 8, 1993, identified a 76-percent cost difference between competitive and noncompetitive purchases of maintenance services. Using the relatively conservative

¹These comments are in a lengthy attachment not included with the Army comments in Part IV of this report.

25-percent factor, we calculated that \$13,538 (\$54,152 x 25 percent) of costs could have been avoided through the use of competitive procedures.

Required Sources

Federal Acquisition Regulation subpart 8.6, "Acquisition From Federal Prison Industries Inc.," requires that agencies shall purchase required supplies from FPI at prices not to exceed current market prices. Agencies are required to obtain a clearance waiver before acquiring FPI schedule items from other sources. Furnishings for transient billets such as Wainwright Hall are on the FPI schedules. EACA procurement officials did not consider FPI a supply source and did not obtain the required clearance waiver before acquiring the \$121,186 of furniture from other sources. EACA procurement officials agreed that FPI should have been considered but stated that FPI normally could not respond in the time available.

Command Actions

We discussed with management personnel the use of specifications that were overly restrictive, the use of a modification that was outside the scope of the statement of work, and the requirement for a waiver to purchase furnishings from sources other than FPI. EACA officials agreed that problems existed and, in April 1992, initiated an ongoing training program for procurement personnel. The training was designed to promote an awareness of the benefits of acquisition planning and the importance of competition. Personnel responsible for preparing, reviewing, or approving purchase descriptions were provided a copy of the specification challenged in our draft report and a revised version that would promote full and open competition. Accordingly, we are making no recommendations because management has already initiated corrective action.

Management comments to the finding. The Director of Management, Office of the Chief of Staff, Department of the Army, stated that while less than full and open competition resulting from restrictive specifications may have been justified, it is not clear whether the justification was documented. He also stated that inquiry was necessary to determine the propriety of the contract modification to include wallpaper for the suites. The Director proposed that the audit team should further review the contract files and interview the contracting officer.

Audit response. The review of the contract files, as well as the interviews with the contracting officer made during the audit, disclosed that the use of less than full and open competition was not adequately supported by documentation. The specifications should have been written in such a manner that less than full and open competition would not have

occurred. The contracting action for adding wallpaper to the suites should have been a separate competitive action, not a modification to the bathroom contract; and FPI should have been considered as a source for furniture, or the contracting officer should have obtained a waiver.

C. CIVILIAN COMMITTEE

MDW and EACA officials improperly allowed a civilian committee to give the appearance of exercising authority and making decisions on the Wainwright Hall alteration project. The Commander, MDW, established the committee to provide advice on the alterations of Wainwright Hall but did not establish a clear written charter of the committee's function, purpose, and limitations and did not safeguard against perceptions that its advice was directive in nature. As a result, Government contracting procedures were circumvented and competition was unnecessarily limited on contracts for furnishings and alterations of Wainwright Hall, as discussed in Findings B. and D.

DISCUSSION OF DETAILS

Background

No formal policy existed for the use of civilian committees for planning and executing maintenance and alteration projects. However, the concept of an interior design advisory committee is not unique. User input is encouraged, and obtaining input from a wives' committee for decorating military quarters is not unusual.

Civilian Committee

Establishment. On October 2, 1990, the Commander, MDW, established a civilian committee consisting of wives of high-ranking officers to provide advice and make suggestions on the alteration of Wainwright Hall. The Commander, MDW, did not establish clear guidance regarding the advisory nature of the committee.

Committee influence. The civilian committee exceeded its advisory roll and became directive to the Government employees involved in the alteration of Wainwright Hall. Soon after the committee was established, its role was misunderstood, as indicated in various documents. On November 23, 1990, the Chief, Engineering and Construction Division, EACA, wrote a memorandum for record entitled "Bath and suite renovations, Wainwright Hall, Bldg. 50, Fort Myer, VA." In the memorandum, the Chief implied that the roles were the reverse of what they should have been: the Government personnel's role was advisory and the committee's role was that of responsibility. The memorandum stated:

Committee members for the overall coordination of the upgrade of the suites within Wainwright are [the Commander, MDW's wife, the Deputy Commander, MDW's wife, and the Deputy Chief of Staff for Personnel's wife] [The Chief, Housing Management Division] will be the POC [point of contact] for all work within Wainwright Hall. [The Chief, Engineering and

Construction Division] will be the POC for technical engineering advice with [the interior designer] serving as the interior design consultant.

The memorandum further indicated the committee's directive nature and resultant budgetary impact as follows:

The current thought process is a total upgrade of the units The Committee wants a number of changes made to the work completed in units F and G The Committee members addressed other areas in need of improvement to the suites. . . . The Committee wants to purchase off the economy to take advantage of sales, etc. . . . Budgetary costs for the above work and new furniture (at \$30,000/unit) range in the \$500,000 - \$600,000 price range for the remaining 14 units. Further work remains of the Committee to refine how we accomplish the above given funding constraints currently imposed. A site visit to the Design Center in Washington, D.C. is scheduled for late November to look into alternate interior furnishings.

Language on 19 different documents (summarized in Appendix E) further demonstrates that the committee's actions caused it to be perceived as a direct arm of the Commander, MDW. In various instances, the committee requested specific items by brand name, as discussed in Findings B. and D. Although the committee may have been attempting to take advantage of sale prices on the economy, no documented justification was available to demonstrate that the sale prices were better than, or even as good as, those obtainable through normal Government competitive procurement procedures.

Committee purchases. On December 21, 1990, an employee informed the Commander, MDW, of an irregular procurement action involving the committee. A committee member had selected and personally purchased an item for Wainwright Hall and was reimbursed. The Commander, MDW, recognized the independent action as inappropriate and verbally admonished the committee member. While the Commander's action was appropriate, the verbal guidance was not disseminated to all personnel involved in the Wainwright Hall alteration project.

Guidance. We discussed the inappropriate perception of the role of the committee with MDW officials. The Commander, MDW, informed us that this committee was intended to be only advisory and that the committee was to report to the Commander, MDW, through the Deputy Commander, MDW. To clarify the role of the committee in response to our concerns, the Commander, MDW, issued a memorandum, August 26, 1991, notifying Government personnel of

the committee's advisory role. The memorandum emphasized that the Government employees should follow normal procurement procedures and chain of command.

Control. The Commander, MDW, who established the committee to act in the capacity of decorating advisers, had the only authority to control the committee. In December 1990, when the Commander, MDW, was informed that a committee member had exceeded her authority as an adviser by making a personal purchase for Wainwright Hall, the Commander, MDW, acted appropriately. However, until informed by the auditors, the Commander, MDW, was not aware of any other instances where the committee members either exceeded the advisory role or were perceived by Government personnel to have exceeded the advisory role.

The Commander, MDW, did not establish guidance concerning the advisory nature of the committee at its inception and underestimated the reluctance of his subordinates to question the role of the committee or to advise him when committee members exceeded the role that he had intended. Any negative information about the actions and attitude of the committee was virtually always either not reported or filtered by the chain of command before it reached the Commander, MDW.

General Counsel. We requested the Assistant General Counsel (Fiscal and Inspector General), Office of the General Counsel, DoD, to provide an opinion on the role of the committee and the Commander, MDW. On September 3, 1991, Counsel stated that:

Despite what he did not know or may not have known, the Commander can not escape criticism for placing his wife (and spouses of other high-ranking officers) on a committee that turned out to wield inordinate influence, not only on the nature and details of work already planned to be performed, but also on the general scope of the renovation and the contracting process, including sources of supply.

IG, Department of the Army, Investigation

In our draft of this report, we recommended that the Chief of Staff of the Army initiate disciplinary action against the Commander, MDW, for improperly managing the civilian committee. Based on the alleged general officer misconduct, the Army Vice Chief of Staff directed the IG, Department of the Army, to investigate the allegations. The IG, Department of the Army,

concluded in Report No. 19-92, dated December 10, 1992, that disciplinary action was not warranted because the allegation was not substantiated. The report also stated:

the allegation should not have been substantiated; however, there was sufficient evidence presented that the investigators believed it necessary to add the statement after the unsubstantiated allegation, 'However some key personnel perceived the committee overstepped its bounds and was directive in nature.'

Altered documents. We provided the IG, Department of the Army, copies of documents that originally stated that various actions were "directed by the committee." However, MDW personnel later provided to us and to the investigators from the IG, Department of the Army, a copy of one of these documents that had been altered. The statement "directed by the committee" was revised to say "recommended by the committee." The IG, Department of the Army, report did not indicate that this document, or any other documents such as those summarized in Appendix E, were considered in the IG, Department of the Army, analysis, nor did the report question why an official Government document was altered. After we inquired, IG, Department of the Army officials stated that they had investigated the altered document but were unable to determine who altered it and had nothing substantive to report. We remain troubled by the possibility that someone altered the document to eliminate evidence that the committee had overstepped its bounds. Nevertheless, the point is moot if the circumstances cannot be determined. We believe that, since the investigative report is silent on the matter, the IG, Department of the Army, should document what was done to try to find out who altered the document, when and why, and what prevents those facts from being ascertained.

Report conclusions. We question the conclusion in the IG, Department of the Army, report that the allegation of inadequate supervision by the Commander, MDW, over the committee was unsupported. The Army investigators relied primarily upon sworn testimony of 17 witnesses: 4 presented testimony that was essentially neutral, 5 provided testimony that stated the committee was directive, and 8 presented testimony that stated the committee did not have any inappropriate influence. Of the eight who perceived no inappropriate influence; however, three were committee members and one was a committee member's spouse (the Deputy Commander, MDW). In addition, 12 of the 17 personnel interviewed believed that the Commander, MDW, was responsible for management of the committee and that the committee was considered to be an extension of the Commander, MDW. The documents related to the project clearly show that the committee's advice was frequently regarded as directive.

Summary

As pointed out to us by personnel at MDW, the committee did provide valuable advice on room furnishings and decor at Wainwright Hall. This advice led to a facility that will benefit the Army and visitors to Wainwright Hall. In the future, however, advisory committees should not be established without a written charter of the committee's role. Further, all Government personnel must be notified of the advisory role of the committee, and written procedures must establish who will be held accountable for the committee's actions. In addition, management should encourage the reporting of any alleged improprieties by the advisory committee to either the person that established the committee or an independent organization.

The military is a hierarchical organization that requires, and is supposed to ensure, accountability at every level for subordinates' actions. The Commander, MDW, appointed the civilian committee and was accountable for the committee's charter, its actions, the Government employees' perceptions of the committee's authority, and the actions taken by those employees as a result. The Commander, MDW, acted properly in December 1990 by admonishing a committee member for making an irregular procurement and by issuing guidance in August 1991 about the role of the committee. However, the guidance was issued too late, and Government personnel had already initiated procurements and other actions at the perceived direction of the committee. Moreover, the corrective actions do not obviate the fact that none of those problems would have occurred if the Commander, MDW, had exercised better control over the committee that he created. The danger of normal internal controls being overridden because of the perceived influence and authority of spouses of high-ranking officers should have been obvious and could easily have been avoided.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Chief of Staff of the Army:

1. Issue guidance to require that a charter be published at the inception of any advisory civilian committee that will interact substantially with military and civilian Government personnel.

a. The charter must define the roles of the civilian committee and the committee relationship to Government personnel who will be held accountable for all actions taken that are contrary to any laws, Executive orders, applicable directives, instructions, or regulations.

b. The charter must also identify procedures for reporting both perceived and inappropriate actions by the civilian

committee. The reporting procedures should spell out how the person who established the committee, as well as independent officials such as the Inspector General, Department of the Army, will be notified of any perceived inappropriate committee actions.

2. Direct the Inspector General, Department of the Army, to document the results of the investigation of the alteration of the official Government document referred to in this report.

Management comments. The Director of Management, Office of the Chief of Staff, Department of the Army, stated that further investigation of improprieties was warranted. The Director further stated that MDW officials disputed the auditors' allegations that contracting, budget, and decorating personnel felt pressure from the committee to acquire whatever the committee wanted. The Director believed that the individuals' perceptions of the committee's authority should be investigated further to determine if such perceptions resulted in regulations being ignored. On June 8, 1992, the Vice Chief of Staff of the Army directed the IG, Department of the Army, to investigate the management and operations of the civilian decorating committee and to determine whether the committee exercised inappropriate influence and made inappropriate decisions.

Audit response. We delayed issuing the final report pending the receipt of the IG, Department of the Army, report. We do not agree with the IG, Department of the Army, conclusions that the allegations are not substantiated. As discussed above and in Findings B and D and as shown in Appendix E, the civilian committee exerted influence that was beyond mere advice, which resulted in inappropriate decisions being made. Based on the IG, Department of the Army, report and other command suggestions, as well as the fact that the Commander, MDW, has retired, we have revised the finding and the recommendations. Accordingly, we request the Army to comment on the final report recommendations.

D. PRIORITY FURNITURE PURCHASES

MDW officials did not adequately plan the procurement of new furniture that totaled \$89,645 for eight suites at Wainwright Hall. The improper furniture procurement occurred because the Deputy Chief of Staff, Engineering and Housing (DCSEH), MDW, attempted to satisfy a command-imposed deadline to complete Wainwright Hall in time for a winter conference for senior officers. The procurement was expedited by using a high-priority procurement designator. As a result, supplier competition was limited and the Government costs increased by an estimated \$35,000 to buy furniture for eight suites that already had acceptable furniture in place.

Advanced Planning

The Wainwright Hall bathroom and suite alterations were initiated in August 1990. In December 1990, the Commander, MDW, established a deadline of February 22, 1991, as the date for the completion of alterations to Wainwright Hall. The justification for this deadline was the desire of the Commander, MDW, that the quarters be complete in time for a winter conference for senior officers. The conference was to occur during Operation Desert Shield/Desert Storm, and the Commander, MDW, believed that better security for senior officers was available on Fort Myer rather than at commercial hotels. The purchase requests for furnishings for eight suites were not processed until January 23, 1991. If the purchase requests had been properly planned and properly executed, the requests would have been processed sooner than 30 days before the conference.

U.S.C., title 10, section 2304, "Contracts: Competition Requirements", subsection (f)(5) provides that:

In no case may the head of an agency -- (A) enter into a contract for property or services using procedures other than competitive procedures on the basis of the lack of advance planning

Priority Processing

DoD Directive 4410.6, "Uniform Material Movement and Issue Priority System," October 30, 1980, establishes purchasing procedures for DoD activities. Purchase requests are assigned a priority designator to streamline the procurement process. The priority designator is determined by a combination of factors, including the mission of the activity and the urgency of need for the requested material. According to the directive, priority designator code 03 or higher for requisition processing is reserved for those activities with a mission requiring a state of

combat readiness. The replacement of bedroom and living room furniture at Wainwright Hall clearly did not meet the criteria for a high-priority designator code.

During January and February 1991, the DCSEH, MDW, issued 41 requisitions for furniture totaling \$89,645 for the eight suites. All requisitions cited a priority designator code 03, or were additionally identified as a "walk through" to meet the February 1991 deadline.

Unusual and Compelling Urgency

U.S.C., title 10, section 2304(f)(1)(A), requires contracting officers to justify their use of other than competitive procedures in writing and to certify to the accuracy and completeness of the justification. Under U.S.C., title 10, section 2304(c)(2), the head of the agency is allowed to use other than competitive procedures when:

The agency's need for the property or services is of such an unusual and compelling urgency that the United States would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals.

By assigning the priority designator code 03, the DCSEH, MDW, was requesting the procuring activity to unnecessarily limit the competition and, as a result, may have increased the overall cost to the Government.

Contracting Offices

MDW contracting. At MDW, priority designator code 03 requires the procurement office to award a contract within 3 days of receipt of the purchase request. If the purchase request cites a priority designator code 03/walk through, the contract must be awarded within 24 hours.

On January 23, 1991, the DCSEH, MDW, issued to the Directorate of Contracting, MDW, 20 requisitions (estimated to cost \$51,056) that contained priority designator code 03. On January 28, 1991, the Director of Contracting, MDW, returned the requisitions to the DCSEH, MDW, because the suppliers could not deliver the entire furniture group by the deadline date. The suppliers had a production lead-time requirement of 4 to 8 weeks. In addition, the contracting officer rejected the requisitions based on Federal Acquisition Regulation 6.302-2, "Unusual and Compelling Urgency," which states:

when the agency's need for the supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the

agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition need not be provided for.

MDW contracting officials stated that purchasing furniture for an officers' conference was not an unusual and compelling urgency that would seriously injure the Government if the procurement was not accomplished by the deadline.

EACA procurement. The Cameron Station Procurement Support Branch, EACA, is primarily responsible for awarding small purchase contracts for supplies and services related to construction contracts. After the Director of Contracting, MDW, rejected the requisitions, DCSEH, MDW, sent the 20 requisitions to the Procurement Support Branch, EACA. EACA processed the 20 requisitions and awarded contracts totaling \$48,464.

Between January 31 and February 26, 1991, the Procurement Support Branch, EACA, processed an additional 21 requisitions, all with priority designator code 03, and awarded additional contracts totaling \$41,181. The inability of many vendors to meet the deadline limited procurement competition and may have increased the overall cost to the Government. EACA procurement officials purchased \$12,220 of furniture from Thomasville, a furniture manufacturer; however, EACA purchased \$77,425 of furniture from the civilian committee's requested sources of supply, receiving only one bid. We were unable to determine what the cost would have been if competitive procedures had been used or if the furniture had been purchased directly from the manufacturers. However, using the 45.5-percent rate of decreased costs from competitive purchases discussed in Finding B, we calculated that the furnishing cost could have been reduced by \$35,228 ($\$77,425 \times 45.5$ percent) through the use of competitive procedures.

Existing Furniture

MDW did not consider using existing furniture in the eight renovated suites. MDW completely refurnished Wainwright Hall in 1981 at a cost of \$52,375 and partially refurnished it again in 1987 at a cost of \$14,500. Upon receipt of the new furniture in 1991, MDW moved the existing furniture to storage. Subsequently, most of this furniture was used in other MDW facilities. Since furniture already existed in the suites (Appendix C), MDW could neither justify the urgency of the requisitions nor the need to procure all new items.

Summary

The Commander, MDW, requested that furniture purchases be accomplished in time for the winter conference for senior officers. DCSEH, MDW, gave the Contracting Directorate, MDW, and the Procurement Support Branch, EACA, less than 30 days to obtain

furniture to meet the deadline and used an inappropriately high-priority designator code to achieve the procurement, even though usable furniture was already in place in Wainwright Hall. If the purchases were awarded using competitive procedures, then the Government costs could have been reduced. Also, we are not questioning the security considerations, because the conference could have been held without new furniture in the suites. The planned February conference was subsequently delayed until March 28, 1991, because of Operation Desert Shield/Desert Storm.

RECOMMENDATION, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Commander, Army Military District of Washington, initiate disciplinary action against the Commander, Army Engineering Activity, Capital Area, for establishing an inappropriately high priority for a furniture procurement.

Management comments. The Director of Management, Office of the Chief of Staff, Department of the Army, agreed that certain requirements were expedited. The Director further stated that the decision was reasonable under the circumstances, given the security-conscious climate dictated by Operation Desert Shield/Desert Storm. The Director also cited a May 18, 1992, Army Audit Agency memorandum that supported the statement of reasonableness. The Director stated that the draft report did not substantiate any excess costs associated with expediting the requirements and questioned the audit's method of comparing costs. Tab A, Enclosure 3, to the Army comments stated that the Commander, MDW, counseled the Commander, EACA, on the decision to establish an inappropriately high-priority designator code for the furniture procurement and stated that a recurrence would result in stern disciplinary action. The management comments did not cite the date of the counseling. However, the Commander, EACA, subsequently retired.

Audit response. We did not question the Commander, MDW, decision to have alterations of Wainwright Hall completed in time for a conference. We did question the method by which the purchase was accomplished. We still believe that excessive costs were associated with expediting the furniture acquisition. The May 18, 1992, Army Audit Agency memorandum to the Director of Management, Office of the Chief of Staff, also stated that "The current commander's decision to expedite the completion of the upgrading of the suites did have a cost associated with it." Unless procedures on competition are followed, and proper cost or price analyses are performed before the acquisition, whether the acquisition was economical or in the best interests of DoD will always be the question. Further, we do not dispute the Army Audit Agency position in their May 18, 1992, memorandum that the Commander's decision to renovate the suites was reasonable. We have revised the finding based on

management comments. Actions taken satisfy the intent of the recommendation; therefore, no further comments are required.

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E. USE OF NONAPPROPRIATED FUNDS

The nonappropriated fund manager, MDW, inappropriately used nonappropriated funds on purchase requests for furniture and fixtures at Wainwright Hall when appropriated funds were available. The use of nonappropriated funds occurred because the nonappropriated fund manager was not trained on the requirements of certificates of nonavailability for all nonappropriated fund purchases. As a result, MDW expended \$92,864 in nonappropriated funds on the Wainwright Hall alteration without the appropriate certification.

DISCUSSION OF DETAILS

Background

Army Regulation 215-1, "Administration of Army Morale, Welfare and Recreation Activities and Nonappropriated Fund Instrumentalities," October 10, 1990, paragraph 12-8, requires that a statement of nonavailability of appropriated funds must be certified by the appropriated funds manager before nonappropriated funds can be used to procure common support items (as listed in Army Regulation 215-1, Appendix C). In addition, the expenditure must be fully justified and show that the authorized Government property item may not be available when needed if nonappropriated funds are not used.

Certificate of Nonavailability

MDW expended \$92,864 of nonappropriated funds without obtaining the certification of nonavailability of appropriated funds. The nonappropriated funds manager and the Director, Morale, Welfare, and Recreation, MDW, signed purchase orders totaling \$24,944 that cited nonappropriated funds. Each contained a statement that appropriated funds were not available. However, the statement of nonavailability of appropriated funds was not signed by the appropriated funds manager. Significantly, OMA funds were available in all these instances to pay for the purchases.

RECOMMENDATION, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Commander, Military District of Washington, provide training to the nonappropriated funds manager emphasizing the requirement that the use of nonappropriated funds must be fully justified before procuring common support items.

Management comments. The Director of Management, Office of the Chief of Staff, Department of the Army, stated² that the billeting chief's position was vacant from December 1990 through

²These comments are in a lengthy attachment not included with the Army comments in Part IV of this report.

February 1991 when the erroneous statements were placed on the nonappropriated fund purchase requests. The new billeting chief is knowledgeable of the proper use of nonappropriated funds; therefore, the recommended training is not required. The Director also stated that on April 9, 1991, MDW revised its guidance to require either the DCSEH, MDW, or the Assistant DCSEH, MDW, to sign all statements of nonavailability of appropriated funds for nonappropriated fund purchases.

Audit response. Requiring the DCSEH, MDW, or the Assistant DCSEH to sign all statements of nonavailability of appropriated funds for nonappropriated fund purchases, and hiring a knowledgeable billeting chief satisfy the intent of the recommendation. Therefore, no further comments are required.

F. USE OF ENLISTED AIDES

Enlisted aides were improperly assigned and used to support general officers and their families at Wainwright Hall and the "Breakfast Room," and appropriate costs were not reported on financial statements. The unauthorized services were performed at Wainwright Hall because a formal training program had not been established that outlined the types of duties required of the aides. The aides were improperly assigned to the Breakfast Room to relieve nonappropriated fund employees and to reduce financial losses. As a result, military personnel were inappropriately utilized and the associated costs of the assigned enlisted aides were not reported on the financial statements of the Breakfast Room. During the audit, MDW initiated action to establish a training program for enlisted aides, to change the duties of the enlisted aides assigned to Wainwright Hall and the Breakfast Room, and to revise the funding classification of the Breakfast Room.

DISCUSSION OF DETAILS

Background

The enlisted aides' program was developed to eliminate the need for general officers to perform mundane daily tasks that take away from the officers' primary military duties. DoD Directive 1315.9, "Utilization of Enlisted Personnel on Personal Staffs of General and Flag Officers," June 21, 1976, authorizes the use of enlisted aides to perform tasks related to the official responsibilities of a general and flag officer. Enlisted aides may be utilized to:

- o assist with the care of assigned quarters, uniforms, and military personal equipment;
- o perform as points of contact in the officers' quarters;
- o assist in planning, preparing, arranging, and conducting official social functions and activities;
- o assist in purchasing, preparing, and serving food and beverages in the assigned quarters; and
- o accomplish tasks that aid the officers in the performance of their military and official responsibilities.

Services Performed

A memorandum of understanding between the Commander, MDW, and the Commander, Army Military Personnel Center, May 1, 1986, established the criteria for assigning enlisted aides to Wainwright Hall. The memorandum of understanding stated that the

enlisted aides assigned to Wainwright Hall would provide appropriate support to general officers and members of their families residing at the facility. The program serves as a limited holding detachment for enlisted aides in the National Capital Region awaiting assignment to a general officer. Ten enlisted aides were assigned to Wainwright Hall at the time of our audit: one E-9, seven E-7s, one E-6, and one E-5. The enlisted aides had an average 5 years' experience as enlisted aides and 14 years experience in food service.

Wainwright Hall duties. MDW considered the assignment of enlisted aides to Wainwright Hall as training. However, the aides assigned at the time of the audit were experienced enlisted personnel. Also, MDW did not have a structured training program for the aides. The aides did provide personal services to general officers such as delivering food, delivering newspapers, and delivering and picking up laundry.

Assigning enlisted aides to DVQs to provide support to groups of officers violates DoD Directive 1315.9. The directive prescribes that:

no officer may use an enlisted member as a servant for duties which contribute only to the officer's personal benefit and which has no reasonable connection with the officer's official responsibilities.

We requested the Senior Attorney, Office of the Assistant General Counsel (Fiscal and Inspector General), to review the policy. Counsel agreed with our conclusion that permanently assigning military personnel to support DVQs is unauthorized.

Breakfast Room duties. During the initial stages of our audit, the Breakfast Room at Wainwright Hall was a satellite resale food service of the Fort Myer Officers' Club, a Moral, Welfare, and Recreation (MWR) activity. Aides performed duties in the Breakfast Room previously performed by MWR employees of the Fort Myer Officers' Club. These duties include cooking, serving meals to general officers and their families, busing tables, and washing dishes. DoD Directive 1015.4, "Assignment of Appropriated-Funded Personnel to Morale, Welfare, and Recreation Activities," April 26, 1983, states that military personnel may be assigned to an MWR activity only:

- o when required for deployments or at locations where qualified civilians are not available;
- o for purposes of rotation and training and when career progression is not available at other locations; and
- o when executive control and essential command supervision otherwise cannot be provided effectively.

Assigning enlisted aides to the Wainwright Hall Breakfast Room was not supported by any of these exceptions. Before February 1991, both MWR civilian employees and military enlisted aides worked in the Breakfast Room. In March 1991, the Deputy Chief of Staff for Personnel, MDW, reassigned the MWR civilian employees to the Fort Myer Officers' Club and required that only enlisted aides be used to support the Breakfast Room. The Breakfast Room had operated at a loss of almost \$16,500 from October 1, 1990, through February 28, 1991, excluding the salaries of the enlisted aides. In a January 15, 1991, memorandum for the Deputy Installation Commander, the Deputy Chief of Staff for Personnel, MDW, stated:

The training duties to be performed by the enlisted aides will serve to reduce the present financial losses [emphasis added] incurred in the operation of this VIP dining facility.

Reporting Costs

DoD Directive 1330.20, "Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information," September 4, 1990, states that appropriated fund personnel, including enlisted personnel who work more than 25 percent of their time in an MWR activity, will be accounted for in the annual cost reports. The appropriated fund costs will also be reported in the financial statements. The appropriated costs of the enlisted aides' services were not reported on the financial statements of the Fort Myer Officers' Club. Because the Fort Myer Officers' Club did not report enlisted aides' salaries, the financial statements did not reflect approximately \$227,000 in annual salaries for the enlisted aides.

Command Actions

In October 26, 1990, the Commander, MDW, directed the Deputy Commander, MDW, to review the duties and responsibilities of everyone working at Wainwright Hall. Based on our review, the Commander, MDW, also directed the IG, MDW, to review the propriety of the duties assigned to the enlisted aides. On April 17, 1991, the Office of the Staff Judge Advocate, MDW, issued a memorandum advising the IG, MDW, that using appropriated fund employees, in this case enlisted aides, to cook and serve food and beverages as part of an MWR activity was not authorized and that those services should be provided by MWR employees of the Fort Myer Officers' Club. The Staff Judge Advocate, MDW, issued another memorandum on the same date, stating that it was improper to assign a military member to oversee housekeeping services, to ensure that rooms were properly cleaned, to work as a desk clerk, to oversee custodial services, or to act as a custodian for alcoholic beverages in the DVQs. In February 1991,

MDW established a structured training program for enlisted aides. This training program was revised in November 1991 to include the type of duties that a new enlisted aide would perform once assigned to an individual general officer. We are making no recommendations on those issues because management already initiated action during the audit to revise the duties of the aides and establish a training program.

On October 1, 1991, the Wainwright Hall billeting operation was established as a separate nonappropriated fund instrumentality. Additionally, the enlisted aides were no longer required to manage the Wainwright Hall operations and were also relieved of the duties of assisting or managing custodial workers and of handling the liquor bar operations. At the same time, MDW officials reassigned the Breakfast Room operation from the Fort Myer Officers' Club to the new Wainwright Hall nonappropriated fund instrumentality.

RECOMMENDATION, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Commander, Army Military District of Washington, amend FY 1991 Fort Myer Officers' Club financial statements to reflect the cost of salaries for the enlisted aides assigned to Wainwright Hall, and footnote the statements to clearly indicate that the appropriated salaries are added as required by DoD Directive 1330.20, "Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information."

Management comments. The Director of Management, Office of the Chief of Staff, Department of the Army, nonconcurred with our recommendation. In response to our draft report, the Director of Management, Office of the Chief of Staff, Department of the Army, stated that Wainwright Hall was not operated as an MWR activity and that reporting enlisted aide services was not necessary. The Director also stated that a training program that uses aides in an official mission facility, such as Wainwright Hall, is proper as long as the aides' duties are consistent with DoD Directive 1315.9. The Director stated that all of the previously performed duties are consistent with the directive and that the current duties are of the type that a new aide would perform. The Director stated that changes were not required to financial statements before March 1991. However, the Director stated that MDW was reviewing the financial records for the period March through September 1991 to determine the applicability of DoD Directive 1330.20.

Audit response. The Director is correct in stating that Wainwright Hall and the Breakfast Room are not currently operated as MWR activities. However, the Breakfast Room operations were converted on October 1, 1991, from an MWR activity. We still believe that financial statements should be revised to include the salaries of the enlisted aides for

the period of time they were assigned to the Breakfast Room of the Fort Myer Officers' Club before October 1991. We also believe that the duties performed by the aides before the training program was instituted were not consistent with DoD Directive 1315.9. Memorandums from the Staff Judge Advocate, MDW, support this position. We request that the Army reconsider its position on revising the financial statements for the period October 1990 through February 1991 and provide comments on the results of its review of the financial statement revisions for the remainder of FY 1991.

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PART III - ADDITIONAL INFORMATION

APPENDIX A - Examples of Facility Renovations

APPENDIX B - Examples of Unrenovated Bathrooms

APPENDIX C - Examples of Unrenovated Suites

APPENDIX D - Wainwright Hall Expenditures for FYs 1989 Through
1991

APPENDIX E - Committee Influence

APPENDIX F - Summary of Potential Benefits Resulting From Audit

APPENDIX G - Activities Visited or Contacted

APPENDIX H - Report Distribution

APPENDIX A - EXAMPLES OF FACILITY RENOVATIONS

Pictures 1 through 3 are examples of the Wainwright Hall bathrooms after renovations at a cost of \$16,800 each. All original fixtures, tiles, and walls were completely removed and new fixtures were installed. Picture 4 shows a sample of the specially ordered bedspreads and custom-made draperies that were for suites F and G.

APPENDIX A - EXAMPLES OF FACILITY RENOVATIONS (cont'd)

Below is a display of costs associated with Pictures 1 through 4.

Lighting Fixture	\$230.25
Medicine Cabinet/ Mirror	349.00
Faucets	352.64
Soap Dish	93.34
Picture 1	

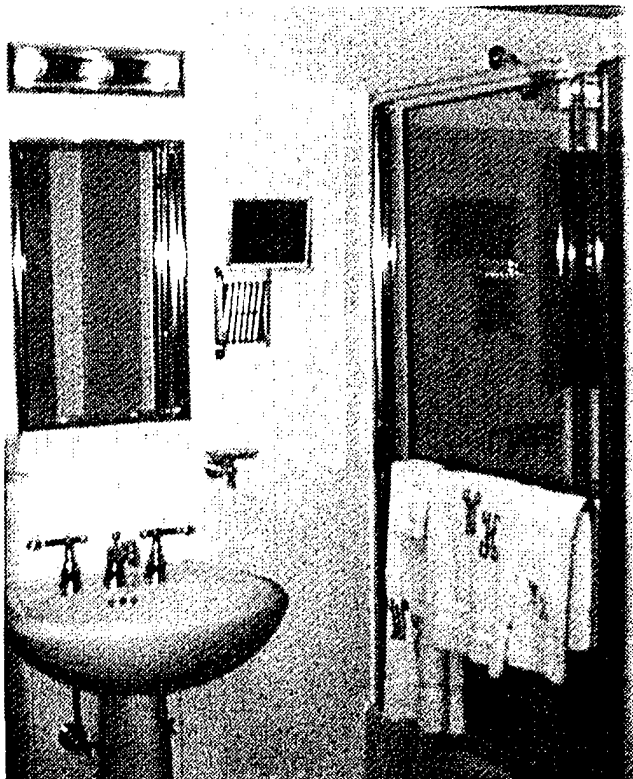
Embroidered Towels*	\$4,300.00
Bathtub Enclosure	470.00
Bathtub	366.00
Picture 2	

Towel Bar	\$102.79
Tumbler Holder	99.38
Tissue Paper Holder	81.74
Water Closet	268.35
Picture 3	

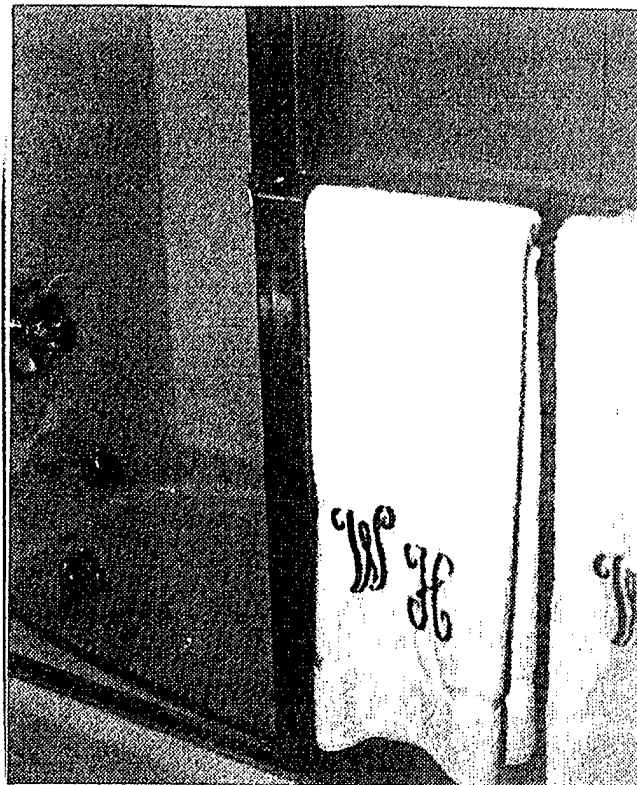
Bedspreads	\$1,010.00
Custom Made Drapes	2,400.00
Picture 4	

*The \$4,300 for embroidered towels represents 112 sets of hand, bath, and wash towels and 38 bath mats.

APPENDIX A. EXAMPLES OF FACILITY RENOVATIONS (Continued)



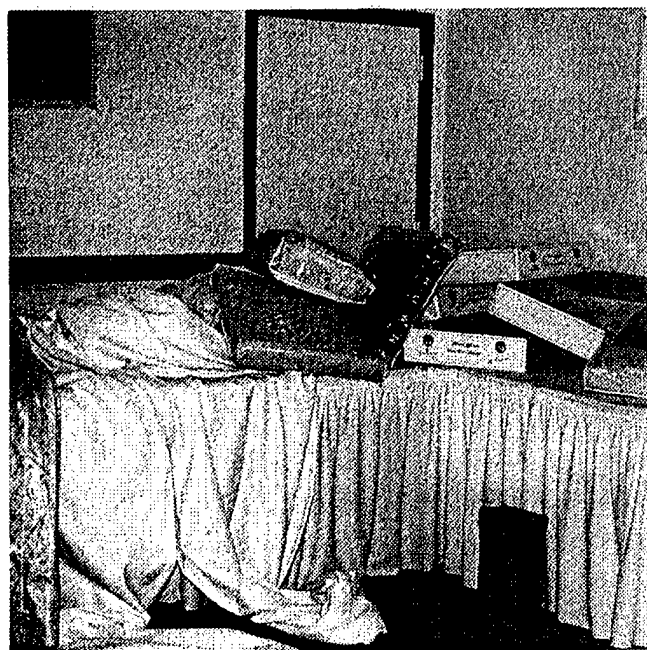
Picture 1



Picture 2



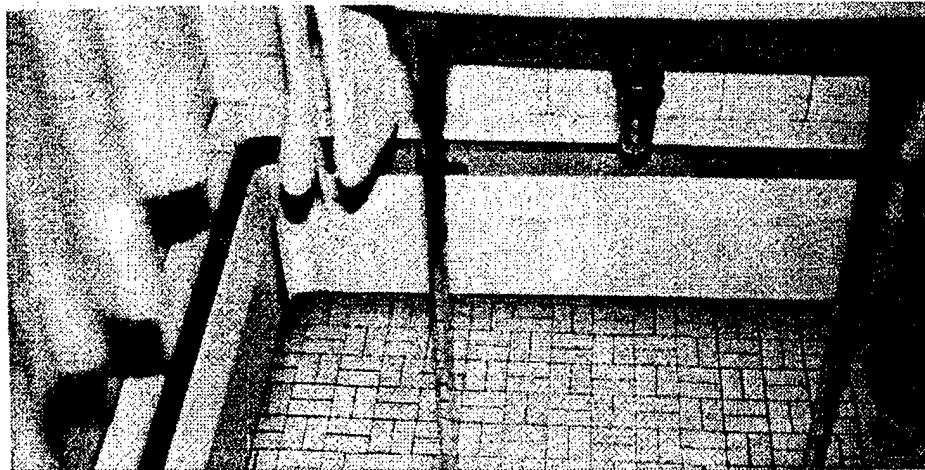
Picture 3



Picture 4

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APPENDIX B - EXAMPLES OF UNRENOVATED BATHROOMS



Picture 1



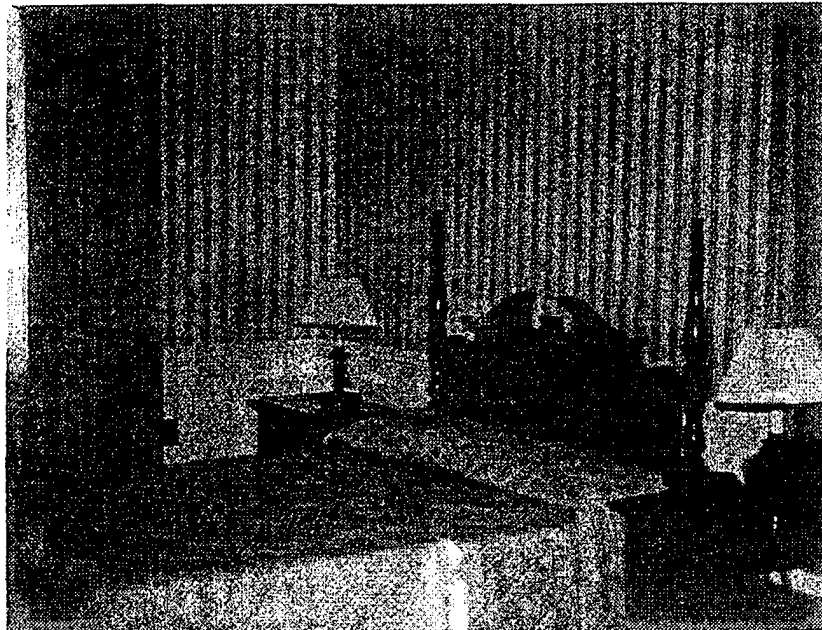
Picture 2



Picture 3

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APPENDIX C - EXAMPLES OF UNRENOVATED SUITES



Picture 1



Picture 2

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APPENDIX D - WAINWRIGHT HALL EXPENDITURES FOR FYS 1989 THROUGH 1991

MDW Projects Costs by Classification and Type of Funds

	<u>Maintenance and Repair</u>	<u>Minor Construction</u>	<u>Total OMA¹</u>	<u>Non- appropriated Funds</u>	<u>Total²</u>
Bathroom Repairs	\$302,504	\$ 58,104	\$360,608		\$360,608
Painting and Wallpaper	32,305	58,249	90,554		90,554
Miscellaneous Work	<u>139,947</u>	<u>37,484</u>	<u>177,431</u>		<u>177,431</u>
Total OMA Funded	\$474,756	\$153,837	\$628,593		\$628,593
Carpet				\$33,020	<u>33,020</u>
Total Alteration Costs	<u>\$474,756</u>	<u>\$153,837</u>	<u>\$628,593</u>	<u>\$33,020</u>	<u>\$661,613</u>
Bathroom Design Costs	46,558		46,558		46,558
Furnishings			<u>\$149,700</u>	<u>\$59,844</u>	<u>209,544</u>
Total Project Costs	<u>\$521,314</u>	<u>\$153,837</u>	<u>\$824,851</u>	<u>\$92,864</u>	<u>\$917,715</u>

See footnotes at end of appendix.

APPENDIX D - WAINWRIGHT HALL EXPENDITURES FOR FYS 1989 THROUGH 1991 (cont'd)

Proper Classification of Project Cost by Fiscal Year

	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>Total</u>
<u>Military Construction Funds</u>				
Bathroom	\$ 89,600	\$250,001	\$ 21,007	\$360,608
Wallpaper & Paint			90,554	90,554
Miscellaneous Work	55,270	36,119	86,042	177,431
OMA Funded Minor Construction	\$144,870	\$286,120	\$197,603	\$628,593
Carpet (nonappropriated funds)			33,020	33,020
Total Minor Construction	<u>\$144,870³</u>	<u>\$286,120³</u>	<u>\$230,623³</u>	<u>\$661,613³</u>
<u>Non-Military Construction Funds</u>				
Bathroom Design Costs	<u>46,558</u>			<u>46,558</u>
Furnishings				
Appropriated Funds		58,958	90,742	149,700
Non-Appropriated Funds		20,173	39,671	59,844
Total Furnishings		<u>79,131</u>	<u>130,413</u>	<u>209,544</u>
Total - All Funds	<u>\$191,428</u>	<u>\$365,251</u>	<u>\$361,036</u>	<u>\$917,715</u>

¹Sum of Maintenance and Repair, Minor Construction, and Furnishings (column not shown).

²Sum of Total OMA plus Nonappropriated Funds.

³These amounts should all be funded by FY 1989 military construction funds.

APPENDIX E - COMMITTEE INFLUENCE

The following excerpts are direct quotes from memorandums, Government forms, and other official documents related to the renovation. The quotes demonstrate the significant influence the committee exercised during the renovation process. For example, in many instances Government personnel noted in official documents that actions were taken "as directed" by the committee.

<u>Document</u>	<u>Quotation</u>
1. Memorandum for Record from the EACA Chief, Engineering and Construction Division, November 23, 1990, "Bath and Suite Renovations, Wainwright Hall, Bldg. 50, Fort Myer, VA."	<p>'Committee' members for the overall coordination of the upgrade of the suites within Wainwright Hall are . . . Mr. [name deleted, Chief of Housing] will be the POC [point of contact] for all work within Wainwright Hall. Mr. [name deleted, the project manager] will be the POC for technical engineering advice with Ms. [name deleted, the interior designer] serving as the interior design consultant.</p> <p>The current thought process is a total upgrade of the units The Committee wants a number of changes made to the work completed in units F and G The Committee members addressed other areas in need of improvement to the suites The Committee wants to purchase off the economy to take advantage of sales, etc. . . . Budgetary costs for the above work and new furniture (at \$30,000/unit) range in the \$500,000 - \$600,000 price range for the remaining 14 units. Further work remains of the Committee to refine how we accomplish the above given funding constraints currently imposed. A site visit to the Design Center in Washington, D.C. is scheduled for late November to look into alternate interior furnishings.</p>

APPENDIX E - COMMITTEE INFLUENCE (cont'd)

<u>Document</u>	<u>Quotation</u>
2. Department of the Army (DA) Form 4283, "Facilities Engineering Work Request," SR000071J. Modified and retyped January 23, 1991, increasing the estimated cost from \$46,000 to \$125,000. Signed by the EACA facilities engineer January 23, 1991, and approved by the Technical Director, EACA, February 7, 1991.	Description and justification of work to be accomplished: Colors and patterns shall be selected by 'the Committee'.
3. DA Form 4283, SR000051J, for ceiling fans and rewiring for Suites F and G. Signed by the EACA facilities engineer January 8, 1991, approved by the Real Property Maintenance Manager January 23, 1991. The cost changed from \$1,100 to \$27,000.	Description and justification of work to be accomplished: MDW Decorating Committee request ceiling fans be installed . . . Description of what will happen if work is not accomplished: It will delay Committee's decorating schedule for completion of Suites F and G.
4. DA Form 4283, SR000051J. Revised the January 8, 1991, description and justification. Approved by Technical Director, EACA, February 7, 1991.	Description and justification of work to be accomplished: Perform misc. repairs and alterations, Bldg 50, as directed by 'the Committee.' and as directed by CG [Commanding General], MDW. Description of what will happen if work was not accomplished: To comply with Committee's decorating schedule.
5. Memorandum for Wainwright Hall Committee, January 18, 1991, "Wainwright Hall Meeting, January 17, 1991," from Chief, Engineering and Construction Division, EACA.	Actions on going are as follows: a. Carpet Selection, made by committee f. Ceiling fans: to be returned by the Committee and a fan will be selected that will take a rheostat control. g. Exterior Lights/Interior Lights: to be selected by Committee Committee to select from a local supplier.

APPENDIX E - COMMITTEE INFLUENCE (cont'd)

<u>Document</u>	<u>Quotation</u>
6. Memorandum for the Wainwright Hall Committee Members, January 29, 1991, "Update Data on the Renovation of Wainwright Hall," from Chief, Engineering and Construction Division, EACA.	It is recommended that [Interior Designer, EACA] of my office accompany the committee on a trip to Tysons Corner area to visit several of the major stores to select readily available materials to fill these needs. Once selected, then we can follow up with a purchase request to the recommended vendors to get competitive bids for these items.
7. Record of Negotiations (Nonappropriated Funds), December 17, 1990, "Contract NAFRAI-91-M-0116," prepared by Contracting Officer and Buyer.	Remarks: The MDW Committee personally selected these towels. Reason for soliciting only one source: Sole source attached. The vendor will do the towels with monogram in accordance with the delivery required by the MDW Committee. This committee was able to see the monogram to use and the type towel and mat they would receive, before selecting the towels. This saves on the lead time to get towels in and then get a vendor to monogram the towels.
8. Memorandum for Wainwright Hall Committee, January 17, 1991, "Renovation, Wainwright Hall, Building 50, Fort Myer, VA," from Chief of Engineering and Construction Division, EACA.	d. Wallpaper: . . . A new selection is presented today for the Committee's evaluation. g. Accessories: the Committee has been working this issue and has made great progress on these items to formalize the coordinated look of the suites.

APPENDIX E - COMMITTEE INFLUENCE (cont'd)

<u>Document</u>	<u>Quotation</u>
9. Memorandum for NAF Procurement, December 17, 1990, "Reference purchase request 91-HG-3G-81-005/006," from Noncommissioned Officer in Charge (NCOIC), Wainwright Hall.	1. Justification: The MDW Committee after an intensive search chose Egru, a top of line towel made by Martex. Since the towels will be monogrammed, purchasing a durable brand was necessary. The purchase price of \$4,328.00 is not competitive with other companies due to specific choice made by the MDW Committee. The price includes purchasing, monogramming and is overall less expensive than purchasing the towels from another source.
10. Memorandum for NAF Procurement, January 8, 1991, "Request extension mirrors for Wainwright Hall," from NCOIC, Wainwright Hall.	2. JUSTIFICATION: The MDW decorating committee has selected this type mirror to be used in the bathrooms of the 18 suites located at Wainwright Hall. American Hotel Register Company, carry this mirror in stock at a price of 14.99 for purchasing a total of 24. The additional 6 mirrors will be used as a back up.
11. Memorandum for Housing Management Division, January 18, 1991 "Request Silk Flowers for the decor of Wainwright Hall," NCOIC, Wainwright Hall.	1. The MDW decorating committee requests silk flowers for the decor of Wainwright Hall. 2. Justification: Flowers are requested for Suites F and G. The committee has chosen Annandale Design - N - Flowers because of their expertise in floral arrangement.

APPENDIX E - COMMITTEE INFLUENCE (cont'd)

<u>Document</u>	<u>Quotation</u>
12. Memorandum for NAF Procurement, February 15, 1991, "Request amendment to Purchase Request NAFRA1-91-M-0193," from Chief, Unaccompanied Personnel Housing.	2. JUSTIFICATION: The MDW decorating committee has selected the above additional items for Wainwright Hall. The brass planters were not included in the price of the silk trees. The color scheme has not been selected by the committee as of this date and the remaining arrangements will be completed by Annandale Design-N-Flower upon selection of color scheme.
13. Army NAF Purchase Request, February 19, 1991, to Linens-N-Things for bed sheets, from Chief, Housing Management Division.	Remarks: Justification. The above items were selected by the MDW decorating committee. The above store has the quantity needed and specific brand available.
14. Army NAF Purchase Request, March 5, 1991, to Yardstick Interiors for bed spreads, from Chief, Unaccompanied Personnel Housing, Housing Management Division.	Remarks: JUSTIFICATION: The MDW decorating committee selected the above bedspreads for Wainwright Hall. The material and design selected matches the existing decor of the suites. The suggested source custom made the drapes and the fabric selected for the bedspreads match the drapes.
15. Army NAF Purchase Request, March 15, 1991, for picture prints, from Chief, Unaccompanied Personnel Housing, Housing Management Division.	Remarks: JUSTIFICATION: The items selected were chosen by the MDW Decor Committee. The prints were chosen as part of an overall room decor and matches furnishings currently in the rooms or on order. The suggested source has all items listed and in stock.
16. Memorandum for Housing Management Division, December 7, 1990, "Request accessories for Wainwright Hall," from NCOIC, Wainwright Hall.	The following accessories are requested by the decorating committee to Suites "F and G", and additional 16 Suites in Wainwright Hall.

APPENDIX E - COMMITTEE INFLUENCE (cont'd)

<u>Document</u>	<u>Quotation</u>
17. Memorandum for Housing Management Division, January 28, 1991, "Request items to enhance the decor of Wainwright Hall," NCOIC, Wainwright Hall.	1. The MDW Decorating committee request sconces to enhance the decor of Suites F and G. The type of sconces that the committee has chosen are the Baldwin Polished Brass. The sconces were to be purchased at Woodward and Lothrop but the store will not accept a purchase order. A check or cash is requested to purchase these items in the sum of \$215.96. 2. Justification: The sconces are requested to finish the decor in Suites F and G by 20 February 1991.
18. Military Interdepartmental Purchase Request, January 23, 1991, to EACA, Financial Management Branch, from MDW Staff Engineer.	Funds required to paint specified areas as directed by the Committee, Bldg 50, Ft Myer.
19. Memorandum for Record, February 14, 1991, [no subject indicated], from a general engineer, Program Division, Fort McNair. The general engineer worked for the Staff Engineer and was responding to a request for additional money.	o I called [an Engineer Technician], CENAC-EC-C on 13 Feb' 91 to get information on fund request for modifications to Contract DACA31-89-D-0065, Renovations of 18 Bathrooms, Bldg 50, Fort Myer. He advised me to contact [Chief, Engineering and Construction, EACA] for justification. o I called [Chief, Engineering and Construction, EACA] this morning. He said this is completely a new work and is to be accomplished as advised by Building Committee. o This is not as a result of design error; or unforeseen site conditions etc. o [Chief, Engineering and Construction, EACA] recommended for immediate funding based on Committee's advise. He said if more details required he will be available to provide.

APPENDIX F - SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Type of Benefit</u>
A.1.	Compliance. Contributes to proper use of funds for the project and for reporting of statutory violations.	Nonmonetary.
A.2.	Internal Controls. Provides for compliance with regulatory requirements related to the development of plans and proper approval of funds.	Nonmonetary.
C.1.	Internal Controls. Prevents possible misuse of resources when a civilian advisory committee is appointed.	Nonmonetary.
C.2.	Compliance. Determines whether a Government document was improperly altered.	Nonmonetary.
D.	Compliance. Promote compliance with regulatory requirements through administration of disciplinary action.	Nonmonetary.
E.	Compliance. Provides for compliance with regulatory requirements on proper use of nonappropriated funds.	Nonmonetary.
F.	Compliance. Provides for compliance with regulatory requirements on proper presentation of nonappropriated fund financial statements.	Nonmonetary.

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APPENDIX G - ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Comptroller of the Department of Defense, Washington, DC
Deputy Assistant Secretary of Defense (Installations), Office of
the Assistant Secretary of Defense (Production and Logistics),
Washington, DC

Department of the Army

Headquarters, Army Military District of Washington, Fort McNair,
Washington, DC
Headquarters, Army Corps of Engineers, Washington, DC
Baltimore District, Army Corps of Engineers, Baltimore, MD
Procurement Support Branch, Cameron Station Section,
Alexandria, VA
Engineer Activity, Capital Area, Fort McNair, Washington, DC
Army Engineering and Housing Support Center, Fort Belvoir,
Alexandria, VA
Headquarters, Fort Myer, Arlington, VA
Family Housing Office, Fort Myer, Arlington, VA
Wainwright Hall, Fort Myer, Arlington, VA

Department of the Navy

Headquarters, Naval District of Washington, Washington Navy Yard,
Washington, DC
Naval Facilities Engineering Command, Alexandria, VA
Visiting Flag Office, Washington Navy Yard, Washington, DC
Family Housing Office, Naval Station Anacostia, Washington, DC

Department of the Air Force

Headquarters, Air Force District of Washington, Bolling AFB,
Washington, DC
Procurement Office, Andrews AFB, MD
1100th Civil Engineering Squadron, Bolling AFB, Washington, DC
Air Force Non-Appropriated Fund Purchasing Office, Randolph AFB, TX

Non-Defense Activities

Congressional Committees:

Permanent Senate Subcommittee on Investigations, Committee on
Governmental Affairs, Washington, DC
Office of the Honorable Senator William V. Roth, Jr., U.S.
Senate, Washington, DC

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APPENDIX H - REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Production and Logistics)
Deputy Assistant Secretary of Defense (Installations)
Comptroller of the Department of Defense

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
Assistant Secretary of the Army (Installations and Logistics)
Chief of Engineers, Army Corps of Engineers
Auditor General, Army Audit Agency
Inspector General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Comptroller of the Navy
Commander, Naval Facilities Engineering Command
Auditor General, Naval Audit Service

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and
Comptroller)
Assistant Secretary of the Air Force (Manpower, Reserve Affairs,
Installations, and Environment)
Auditor General, Air Force Audit Agency

Non-Defense Organizations

Office of Management and Budget
National Security and International Affairs Division, Technical
Information Center, General Accounting Office

APPENDIX H - REPORT DISTRIBUTION (cont'd)

Non-Defense Organizations (cont'd)

Chairman and Ranking Minority Member of Each of the Following
Congressional Committees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Subcommittee on Investigations, Committee on
Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security,
Committee on Government Operations

Senator Sam Nunn, U.S. Senate

Senator William V. Roth, Jr., U.S. Senate

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PART IV - MANAGEMENT COMMENTS

Department of the Army

DEPARTMENT OF THE ARMY COMMENTS

Final Report
Reference



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, DC 20310-0200



DACS-DMC

4 June 1992

MEMORANDUM THRU DIRECTOR OF THE ARMY STAFF *CAO June '92*

FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL, DIRECTOR OF
CONTRACT MANAGEMENT DIRECTORATE, 400 ARMY NAVY DRIVE,
ARLINGTON, VA 22202-2884

SUBJECT: Draft Report on Renovation Costs for General and Flag Officer
Quarters (Project Number ICG-5007)

We have thoroughly reviewed the subject draft report and have considered MG Streeter's and the Military District of Washington's (MDW's) response to the report (Encl 1) as well as file documents furnished by your office. In addition, we have taken into account the Army Audit Agency's Comments on subject report (Encl 2) and noted the Assistant Chief of Engineers' concurrence in MDW's response (Encl 3). It is our overall impression that MDW has provided reasonable responses and, in some areas, prima facie refutation of findings and recommendations in the report. However, resolution of some of the major issues, highlighted below, will ultimately be dependent on whose version of the underlying facts one accepts, or on additional investigation into the facts. Regrettably, the auditors did not interview key decision makers. Consequently, the report is deficient, as it does not fully record the facts known by the decision makers and the bases for their decisions. We thus cannot determine at this time the culpability of and appropriate disciplinary or administrative action to be taken, if any, regarding the individuals you propose be disciplined.

Improper Classification of Construction Work - The resolution of this issue depends in part on whether the auditors' or MDW's interpretation of the condition of the bathrooms before repair is correct. We find MDW's determinations more persuasive (as did the Army Audit Agency). We also note that the auditors did not talk with several individuals who were patently key participants in the project, including Ms. Seymour, the then-

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Revised
Finding A

Page 9

DEPARTMENT OF THE ARMY COMMENTS (cont'd)

Final Report
Reference

DACS-DMC

SUBJECT: Draft Report on Renovation Costs for General and Flag Officer Quarters (Project Number ICG-5007)

Revised
Finding A

Housing Chief, LTC Etsell, the then-ADCSEH, and COL Chandler, the then-DCSEH. The resolution of this issue also appears to depend on whether the replacement of fixtures which have not yet failed functionally is encompassed within the Army's definition of repair. (The fixtures apparently were over 30 years old and presumably at or near the end of their life expectancy.) We note there is no current DoD guidance on this issue, the pertinent DoD Instruction having been cancelled in 1989. That Instruction defined "repair" very broadly as "the restoration of real property to such condition that it may be used for its designated purposes." It appears to us that the replacement of deteriorating thirty year old fixtures constituted repair and was properly funded from the Operations & Maintenance, Army appropriation. We also cannot concur in the inference that funding limitations and Congressional oversight were intentionally circumvented. We believe MDW could have obtained appropriate funds for the projects had it concluded that the bulk of the work consisted of construction (instead of repair).

Revised
Finding B

Excessive Cost and Quality for Fixtures and Furnishings - The question of the level of quality which is appropriate for Wainwright Hall is key in determining whether excessive costs were incurred. We believe the determination of the appropriate level of furnishings should be based, in part, upon the unique nature of this facility, which is designed to house senior general officers, their foreign military counterparts, foreign dignitaries, and similar officials. Recent guests have included the Belgian counterpart to the Chairman of the Joint Chiefs of Staff, and the Saudi Arabian counterpart to the Chief of Staff of the Army. Assignment policy is set out in DA Memo 210-8 (Encl 4). The prestige of the United States is demeaned in the eyes of visiting foreign dignitaries when they are not provided appropriate facilities. While the report accuses MDW of "exceeding Army standards," it does not identify the source of standards for furnishing this type of facility, only referring to an October 1990 Army Memorandum which uses GSA and Air Force catalogs as "ceilings" for transient lodging facilities. Even so, MDW indicated that in most cases they were able to obtain lower prices than those in these catalogs. We do not believe MDW abused its discretion in its choice of fixtures and furnishings. We believe the DoD IG's findings pertaining to this issue should be reconsidered in view of the level of personnel housed at Wainwright Hall. The auditors should inquire into the types of furnishings the other

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DEPARTMENT OF THE ARMY COMMENTS (cont'd)

Final Report
Reference

DACS-DMC

SUBJECT: Draft Report on Renovation Costs for General and Flag Officer
Quarters (Project Number ICG-5007)

services, the State Department and other US government departments, and foreign governments use in their comparable facilities. We believe this would be helpful in establishing whether Wainwright Hall was furnished in an appropriate manner.

Pages 13-14

Inappropriate Influence in Decision-Making by Non-Government Personnel - This is an area in which further investigation is warranted. MDW has advised that there was no actual impropriety involved, notwithstanding possible appearances to the contrary. The auditors appear to have relied on statements from only two individuals. Although the auditors state, in addition, that the Interior Designer and the "budget officer" perceived the Decorating Committee as an extension of the Commander and allege that existing regulations were not fully complied with as a result, MDW in its response has indicated that its contacts with these individuals failed to verify the auditors' allegations. MDW also disputes that contracting personnel felt pressure from the Decorating Committee to purchase "whatever the Committee wanted." Since the file lacks statements from the Interior Designer, EACA budget officials and contracting office personnel, we do not believe the evidence of the role of the Decorating Committee and its perception by others has been developed to the proper extent. We believe there should be further inquiry of these individuals, particularly the contracting officer, as to their perception of the Decorating Committee's authority, and if such perception resulted in regulations being ignored (as the report alleges), those regulations should be identified.

Revised
Finding C

Expediting of Project - Although it is undisputed that certain requirements were expedited, it appears that the MDW Commander's decision to expedite was reasonable under the circumstances; we call your attention to AAA's agreement on this point. The auditors, in our opinion, did not fully consider the security-conscious climate dictated by Desert Shield. The report has not substantiated the excess costs allegedly resulting from such expediting, other than those to which MDW has agreed, e.g., overtime costs. We believe the auditors' reliance on telephonic quotations, expectations of quantity discounts, and presumptions of interest and lower prices from manufacturers are unacceptable methods of comparing costs. In addition, the report fails to establish that any other projects suffered as a result of the priority given to Wainwright Hall.

Revised
Finding D

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Revised in
Finding D

DEPARTMENT OF THE ARMY COMMENTS (cont'd)

Final Report
Reference

Revised
Finding B

DACS-DMC

SUBJECT: Draft Report on Renovation Costs for General and Flag Officer Quarters (Project Number ICG-5007)

Improper Contracting Procedures - While MDW has responded to most of the allegations concerning improper contracting procedures, some questions still remain. In regard to allegations concerning restrictive specifications for bathroom fixtures, while there may have been justification for less than full and open competition, it is not clear from the present record whether proper contracting procedures were followed in documenting such justification. We also believe further inquiry is necessary concerning the modification of an existing contract, to include wallpaper for the suites, before a determination can be made concerning the propriety of such action. The pertinent contract files should be examined and the contracting officer should be interviewed by the audit team concerning these allegations.

Revised
Finding F

Enlisted Aides - The question of whether enlisted aides are being properly used in Wainwright Hall turns in large part on whether Distinguished Visitors' Quarters (DVQ) are operated as a Morale, Welfare, and Recreation (MWR) activity or as a NAF activity in support of an official Army mission. The DoD IG audit appears to be based on an erroneous assumption that the DVQ was operated as a MWR activity. However, in fact DVQs (including Wainwright Hall) are not operated as MWR activities. DVQs are operated as official mission activities by local housing personnel under AR 210-50, Housing Management, for which the Office of the Chief of Engineers is the proponent. The Billeting Fund associated with DVQs is administered by housing personnel, and is a supplemental mission nonappropriated fund, not an MWR activity. Accordingly, the prohibitions regarding the use of appropriated fund (APF) personnel in MWR activities are not applicable. Since the enlisted aides are not supporting an MWR activity, there is no need to report their services under DODI 1330.20.

There is no basis for prohibiting the use of APF personnel in all MWR and NAF activities. Current DA policy, which is consistent with Congressional guidance, prohibits the use of appropriated fund personnel only in MWR business activities. In addition, DODI 1015.4 allows the use of APF personnel in MWR activities under certain circumstances.

Revised
Finding F

Contrary to the auditors' recommendations, we believe there is no need to justify the DVQ training as the only means available to provide necessary training of enlisted aides or to limit the training to a 90-day

DEPARTMENT OF THE ARMY COMMENTS (cont'd)

Final Report
Reference

DACS-DMC

SUBJECT: Draft Report on Renovation Costs for General and Flag Officer Quarters (Project Number ICG-5007)

period. A training program that uses enlisted aides in an official mission facility, such as the DVQs, is proper as long as the enlisted aides' duties are consistent with DODD 1315.9, and are within the broad discretionary authority of the commander to determine the scope and duration of training activities. The majority of the duties that were previously performed by the aides were clearly consistent with the limitations of DODD 1315.9; none were clearly inconsistent with the Directive's limitations. The duties still performed by the enlisted aides clearly are the type that a new enlisted aide will perform once he is assigned to an individual general officer and are fully consistent with DODD 1315.9.

Revised
Finding F

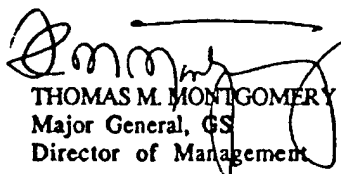
We also call your attention to Encl 5, which represents the DCSPER's concurrence in MDW's position on Enlisted Aides.

Summary - We recommend you reopen your audit to address the factual issues and interview the witnesses mentioned above. As the DoD IG Report alleges general officer misconduct, we will direct the Army's Inspector General to investigate the allegations and to interview the appropriate parties, to include general officers. We believe these actions are necessary in order to establish an adequate record upon which to base any disciplinary action against responsible parties, as well as to meet our basic due process obligations to these individuals. Upon conclusion of the DAIG investigation, we will advise you of its findings and of any disciplinary or administrative action taken regarding Army personnel.

Pages 19-20

We also request that you defer issuing your final report until we have had an opportunity to review the DAIG investigation, and to modify, if appropriate, the positions we have taken in this memorandum.

5 Encls
as


THOMAS M. MONTGOMERY
Major General, GS
Director of Management

Enclosures not
included because
of their length.

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INTERNET DOCUMENT INFORMATION FORM

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C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):
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